



Virginia Housing Coalition

Virginia's State Housing Funding: A Historical Perspective

1989 – Creation of the Virginia Housing Partnership

- VHPF Revolving Loan Fund combined with Grant Programs (Homeless/Indoor Plumbing)
- Diverse Uses – SF, Congregate, MF
- DHCD Lead for Policy and Program Design
- VHDA Lead for Administration and Financial Management
- Flexible Underwriting – focus on “gap” financing
- 3% Avg. Rate of Return
- 10 Year Vision at \$20 million per year
- Subject to Annual Appropriation
- Self Sustaining Revolving Fund
- After 1st Biennium, Commitment Eroded
- 1997 – last contribution
- Fund grew to \$90 million
- VHPF Sold in 2003 to help close State budget gap
- 1999 DHCD Report – the VHPF WORKED as advertised!
 - Leveraging at \$4 of investment to \$1 of VHPF
 - 2,000 homebuyers, 12,000 apartments, 1,000 congregate units for persons with disabilities
 - Good geographic distribution
 - Rate of return and defaults within projections

State Housing Trust Funds

Which State had the highest increase in housing prices from 1st Qtr 2005 to 1st Qtr. 2006?

- ☐ North Carolina
- ☐ South Carolina
- ☐ Virginia
- ☐ Georgia

(Answer: Virginia with an 18.1% increase)

Which State Does Not Have a State Housing Trust Fund?

- ☐ North Carolina
- ☐ South Carolina
- ☐ Virginia
- ☐ Georgia

(Answer: Virginia, the others all have operating State Trust Funds (Georgia's is targeted to the Homeless))

- Housing Trust Funds have become ubiquitous across the country
- 36 States and over 250 Cities/Counties have Housing Trust Funds
- Key is a Reliable Annual Funding Mechanism (preferably a dedicated revenue source) – examples of sources in other states
 - RE Transfer Tax
 - Recording Fees
 - Development Related Fees
 - Property Tax, Sales Tax, Hotel/Motel tax, Restaurant tax
 - Taxpayer Check Offs
 - Permit fees
 - Insurance related fees
 - Bank related fees
 - Tax increment funds
 - Bonds, Loan repayments
 - Interest on Funds(rainy day, escheat, RE escrow)
 - Revenue Surpluses
 - Unclaimed Lottery
 - Etc etc etc
- New Source or Allocation of a Growing Existing Source
- Florida has the largest State Fund with an annual amount of \$250m
- Trust Funds can also include Funding from Federal or other Sources (ie. Oil Overcharge)
- Generally Address a Broad Range of Housing Needs – although can be targeted
- Flexible Loans and Grants – “gap” funding creates leveraging
- Support State Policy Goals in areas – ie. transportation, land use, workforce development, education
- May be tied to Locally Administered Funds (ie. Florida)

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How a State Housing Trust Fund Would Benefit the State and Localities
Information Presented to the Virginia Housing Commission's
Workgroup on Affordable Housing
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Background: House Bill 92: During the 2006 general assembly session, the house passed, and the Senate carried over HB 92, sponsored by Delegate Suit, to create a state housing trust fund.

Key provisions: Dedicated revenue source, flexible use of funds, matching funds to localities that contribute local funds.

Benefits of a Housing Trust Fund as Proposed by HB 92:

- 1) Helps achieve state policy goals: A trust fund would provide resources and incentives to support state policy goals in housing, which can also help achieve goals in transportation and economic development
- 2) Provides maximum flexibility to address state and locally defined housing needs: Not bound by Federal requirements; Can make possible a wide variety of uses to meet local and statewide needs
- 3) Leverages State Investment, Helps Localities and Provides Opportunities for Citizens: With the inclusion of funds for localities, you create a win-win-win.

The state wins by leveraging its contribution and providing resources in support of state goals.

The cities win by leveraging resources and being able to develop projects that meet community needs and fit within community goals.

Virginia's citizens win with the development of many more quality, workforce and affordable housing units.

- 4) Helps Keep up with Costs, Prices and Declining Federal Funding: Declining Federal funding, increasing construction costs, and skyrocketing land costs mean much less can be done. The trust fund can help reverse this.
- 5) Avoids Annual Appropriations Issues: Using a dedicated revenue source allows the legislature to make a one-time decision and then move on. The issue does not have to be revisited each year with the attendant political pressure.
- 6) Facilitates Long-Term and Reliable Planning: The long term and ongoing funding allows the state, developers and localities to do longer-term planning and make multi-year commitments and therefore achieve better outcomes for the state and communities.

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PLEASE VOTE FOR HB 92 / SB 277

WHAT HOUSE BILL 92 AND SENATE BILL 277 DO...

- HB 92 dedicates a portion (\$0.02 of every \$100) of the state recordation tax to the Virginia Housing Trust Fund.
- HB 92 includes a “trigger” of \$200 million...meaning tax collections would have to exceed that amount for the provisions of HB 94 to take effect.

WHAT DOES THE VIRGINIA HOUSING TRUST FUND DO?

- The Virginia Housing Trust Fund will provide much needed funding for a broad array of affordable housing development for your teachers, fire fighters, police officers, EMS personnel and service employees.
- The Department of Housing and Community Development and the Virginia Housing Development Authority will approve the disbursements of funds.
- The Housing Trust Fund will match local housing funds – creating an incentive for local efforts to solve this problem

WHAT HAPPENS WHEN THE HOUSING MARKET SLOWS AND TAX COLLECTIONS DECREASE?

- Very simply...when the market is performing at a strong rate, deposits will continue to be made into the Virginia Housing Trust Fund. Consequently, as the market does slow, less money will be deposited into the fund. That is the built-in protection for the expected housing slowdown.

WHY EARMARK FUNDING FROM THE RECORDATION TAX?

- Recordation tax collections have been increasingly dramatically, largely due to the rapid rise in housing costs. This bill will take a small part of this windfall and help families who have been shut out of the housing market by these high costs.
- Earmarking is important because it provides a dedicated, reliable source of funding. The Virginia Housing Partnership Fund lost its viability in the last decade because annual appropriations were cut and eventually eliminated.

WHY DO WE NEED TO FUND HOUSING PROGRAMS AND TRANSPORTATION?

- Very simply...affordable housing helps alleviate transportation woes.
- Workers are driving farther and farther to their respective jobs...because of the **LACK** of affordable housing.
- People moving farther and farther away from their jobs produces additional demands on an already strained transportation system...more people traveling greater distances to work means more traffic.
- Virginia business feels the strain of recruiting and retaining quality employees who cannot afford to live near where they work.

- That is why the following organizations have signed on in support of HB 92:
 - **Virginia Association of REALTORS®**
 - **National Federation of Independent Business**
 - **Virginia Bankers Association**
 - **Virginia Mortgage Lenders Association**
 - **Virginia Education Association**
 - **Virginia Hospitality and Travel Association**
 - **Home Builders Association of Virginia**
 - **Virginia Association of Police Chiefs**
 - **Legislative Coalition of Nurses**
 - **Virginia Association of School Nurses**
 - **Lifeline Ambulance Service**
 - **Virginia Network for Victims and Witnesses of Crime**
 - **Virginia Housing Coalition**
 - **Virginia Association of Housing and Community Development Officials**
 - **Habitat for Humanity Virginia**
 - **Virginia Interfaith Center for Public Policy**